

Ms. Myria A. Polydorou, Vice President, Finance
Health Care Corporation
Post Office Box 5419
Spartanburg, South Carolina 29304

Re: AC# 3-CSF-J7 - Chesterfield Convalescent Center, Inc.

Dear Ms. Polydorou:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Myria A. Polydorou, Vice President, Finance
Health Care Corporation
Post Office Box 5419
Spartanburg, South Carolina 29304

Re: Draft Report AC# 3-CSF-J7 - Chesterfield Convalescent Center, Inc.

Dear Ms. Polydorou:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to me regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report AC# 3-CSF-J7 - Chesterfield Convalescent Center, Inc.

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact me within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/sag

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

CHESTERFIELD CONVALESCENT CENTER, INC.

CHERAW, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-CSF-J7**

REPORT ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 1, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Chesterfield Convalescent Center, Inc., for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Chesterfield Convalescent Center, Inc. to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Chesterfield Convalescent Center, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
March 1, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

CHESTERFIELD CONVALESCENT CENTER, INC.

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-CSF-J7

	<u>10/01/98-</u> <u>11/30/98</u>	<u>12/01/98-</u> <u>09/30/99</u>
Interim reimbursement rate (1)	\$85.15	\$85.90
Adjusted reimbursement rate	<u>84.69</u>	<u>85.44</u>
Decrease in reimbursement rate	\$ <u>.46</u>	\$ <u>.46</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

CHESTERFIELD CONVALESCENT CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-CSF-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$39.67	\$48.65	
Dietary		9.86	9.44	
Laundry/Housekeeping/Maintenance		<u>6.75</u>	<u>7.70</u>	
Subtotal	<u>\$4.61</u>	56.28	65.79	\$56.28
Administration & Medical Records	<u>\$3.63</u>	<u>6.75</u>	<u>10.38</u>	<u>6.75</u>
Subtotal		63.03	<u>\$76.17</u>	63.03
<u>Costs Not Subject to Standards:</u>				
Utilities		2.08		2.08
Special Services		-		-
Medical Supplies & Oxygen		4.52		4.52
Taxes and Insurance		1.30		1.30
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$70.93</u>		70.93
Inflation Factor (3.60%)				2.55
Cost of Capital				9.21
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.48
Cost Incentive				4.61
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.34)
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$84.69</u>

CHESTERFIELD CONVALESCENT CENTER, INC.

Computation of Adjusted Reimbursement Rate

For the Contract Periods December 1, 1998 Through September 30, 1999
AC# 3-CSF-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$39.67	\$48.65	
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Utilities		2.08		2.08
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Taxes and Insurance		1.30		1.30
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$70.93</u>		70.93
Inflation Factor (3.60%)				2.55
Cost of Capital				9.21
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.48
Cost Incentive				4.61
Effect of \$1.75 Cap on Cost/Profit Incentives				(5.34)
CNA Add-On				.75
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$85.44</u>

CHESTERFIELD CONVALESCENT CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-CSF-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,425,664	\$ -	\$ -	\$1,425,664
Dietary	354,392	-	-	354,392
Laundry	50,580	-	-	50,580
Housekeeping	130,685	-	-	130,685
Maintenance	61,156	-	-	61,156
Administration and Medical Records	255,630	-	13,025 (2)	242,605
Utilities	74,719	-	-	74,719
Special Services	-	-	-	-
Medical Supplies & Oxygen	162,303	-	-	162,303
Taxes and Insurance	46,600	-	-	46,600
Legal Fees	-	-	-	-
Cost of Capital	333,855	3,509 (5)	1,963 (3) 4,281 (4) <u>210 (4)</u>	330,910
Subtotal	2,895,584	3,509	19,479	2,879,614
Ancillary	7,632	-	-	7,632

CHESTERFIELD CONVALESCENT CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-CSF-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Non Allowable	73,167	13,025 (2) 1,963 (3) <u>210 (4)</u>	3,509 (5) <u> </u>	84,856 <u> </u>
Total Operating Expenses	<u>\$2,976,383</u>	<u>\$18,707</u>	<u>\$22,988</u>	<u>\$2,972,102</u>
Total Patient Days	<u>35,937</u>	<u>-</u>	<u>-</u>	<u>35,937</u>
Total Beds	<u>104</u>			

CHESTERFIELD CONVALESCENT CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-CSF-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation - Land Improvements	\$ 288	
	Accumulated Depreciation - Building & Improvements	4,559	
	Accumulated Depreciation - Furniture & Equipment	1,468	
	Other Equity		\$ 6,315
	To properly carry forward 9/30/91 balances HIM-15-1, Section 2304		
2	Nonallowable Administration	13,025	13,025
	To disallow unnecessary working capital interest HIM-15-1, Section 202.2		
3	Nonallowable Cost of Capital	1,963	1,963
	To disallow loan cost related to nonallowable intercompany debt HIM-15-1, Section 202.2		
4	Accumulated Depreciation	4,281	
	Nonallowable	210	
	Depreciation Expense		4,281
	Amortization Expense		210
	To reverse adjustment to annualize 16 bed addition to cost of capital expense State Plan, Attachment 4.19D		

CHESTERFIELD CONVALESCENT CENTER, INC.
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-CSF-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital Nonallowable	3,509	3,509
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$29,303</u>	<u>\$29,303</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

CHESTERFIELD CONVALESCENT CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-CSF-J7

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1814</u>	<u>2.1814</u>	
Deemed Asset Value (Per Bed)	34,069	34,069	
Number of Beds	<u>88</u>	<u>16</u>	
Deemed Asset Value	2,998,072	545,104	
Improvements Since 1981	193,919	373	
Accumulated Depreciation at 9/30/97	<u>(759,697)</u>	<u>(23,141)</u>	
Deemed Depreciated Value	2,432,294	522,336	
Market Rate of Return	<u>.067</u>	<u>.067</u>	
Total Annual Return	162,964	34,997	
Number of Days in Period	<u>365/365</u>	<u>308/365</u>	
Adjusted Annual Return	162,964	29,532	
Return Applicable to Non-Reimbursable Cost Centers	(1,047)	(190)	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>1,051</u>	<u>226</u>	
Allowable Annual Return	162,968	29,568	
Depreciation Expense	111,899	23,141	
Amortization Expense	4,029	1,527	
Capital Related Income Offsets	-	-	
Allocation of Capital Expenses to Non-reimbursable Cost Centers	<u>(1,807)</u>	<u>(415)</u>	<u>Total</u>
Allowable Cost of Capital Expense	277,089	53,821	\$330,910
Total Patient Days (Minimum 97% Occupancy)	<u>31,157</u>	<u>4,780</u>	<u>35,937</u>
Cost of Capital Per Diem	<u>\$ 8.89</u>	<u>\$ 11.26</u>	<u>\$ 9.21</u>